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FM AMCONSUL VLADIVOSTOK
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INFO RUEHZL/EUROPEAN POLITICAL COLLECTIVE
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UNCLAS SECTION 01 OF 02 VLADIVOSTOK 000111

SIPDIS

E.O. 12958: N/A

TAGS: [ECON](#) [ETRD](#) [PGOV](#) [RS](#)

SUBJECT: ECONOMIC FORUM: RFE'S PROBLEM? DEMOGRAPHICS, TRANSPORTATION,
AND CHINA

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¶1. Summary. Participants gathered at the third annual Far Eastern International Economic Forum in Khabarovsk to discuss economic development in the Russian Far East. The most widely discussed topics were the region's ever-decreasing population and the high cost and inefficiency of transportation in the area. Interestingly, China was often mentioned -- as part of the problem, not the solution.

A Well-Choreographed Show

¶2. Over 800 participants from Russia and 18 countries gathered in Khabarovsk September 30 to October 1 for the third annual Far Eastern International Economic Forum. Speakers at the plenary sessions included Polpred Oleg Safonov, State Duma Chairman Boris Grizlov, and Khabarovskiy Kray Governor Viktor Ishayev. Though the plenary sessions were sometimes short on debate and concrete suggestions, the five breakout roundtable discussions included a more vigorous exchange of opinions.

¶3. The well-organized and obviously well-funded event included a lavish banquet attended by the Governor, several impressive luncheons, and a twenty-minute fireworks display. Several forum participants during informal discussions with POLOFF questioned the need for such lavish spending, and wondered what results governor Ishayev is hoping to see in return.

Demographics: No "Russian Cross," but Most Would Leave

¶4. As with last year's forum, the decrease in population was the main topic of discussion. Governor Ishayev himself in his plenary speech candidly summed up the problems that the region faces. Average income growth in the Far East is lagging behind other regions of Russia. Families are having difficulty dealing with the high price of energy and food, and real estate costs have increased faster salaries.

¶5. Though the "Russian Cross" of an increasing death rate coupled with a decreasing birthrate is no longer an issue the Far East, the population continues to shrink. Vadim Zausaev, the Director of the Far Eastern Market Research Institute, quoted a survey his organization conducted showing that almost 70 per cent of RFE inhabitants would leave immediately if a better economic possibility arose elsewhere. In general, most speakers highlighted the need to improve education, vocational training, medical care, and the job market in the RFE in order to retain population and attract new residents.

Transportation: If Canada Can Do It, so Can the RFE

¶6. Most speakers at some point alluded to transportation

problems as part of the roadblock to economic development in the area. Not only is the infrastructure generally inadequate for land travel throughout the area, but air travel is prohibitively expensive. Most of the solutions offered by government representatives seemed unrealistic and required significant funding from Moscow. Suggestions for projects like high-speed rail lines, a Yakutsk-Magadan highway, and various bridges and tunnels were numerous, but unlikely to receive the necessary support from Moscow. World Bank representative Shigeo Katsu suggested that if Canada, with a very similar climatic, geographic, and demographic profile can provide a sufficient infrastructure for its inhabitants, so can Russia.

¶7. The most realistic and feasible suggestions came from Vice Minister of Transport Andrey Nedosekov, who proposed a series of relatively easy to implement financial incentives to improve air transport. These included nationalization of certain airports, subsidizing landing fees, providing fuel tax cuts for more efficient, non-Soviet-era planes, and cutting property taxes for airports.

The China Problem: "Remember Tibet!"

¶8. Interestingly, at a conference geared towards improving the economy of the Russian Far East, very few speakers addressed possible benefits of increasing trade with China. Though brief mention was made for the need to establish a coal-shipping rail link with China, there were few proposals encouraging links between the countries. Aleksander Shokhin, the President of the Russian Union of Industrialists and Entrepreneurs warned of a "new Chinese Silk Road" that will divert transit of Europe-bound goods away from a Russian route. State Duma Deputy Ruslan Kondratov expressed fears of increased Chinese immigration, urging listeners to "remember Tibet, and how Chinese immigration destroyed the local culture."

¶9. Only Mikail Titarenko, the Director of the Russian Science

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Academy's Institute of the Far East admitted that closer partnership with China, including increased immigration, may be a part of the solution for the Far East. "Who is going to implement our plans?" he asked, pointing out that there is not even enough manpower to implement APEC-related construction plans. He also expressed annoyance that the State Duma failed to respond to a Chinese cross-border investment and development proposal.

What Does 'WTO' Stand For, Again?

¶10. Also noticeably absent from most discussions was the topic of accession to the World Trade Organization. Most speakers focused on how the region can work with Moscow to improve its economic system, and rarely mentioned ways to better integrate within the regional trade system. Only the foreign World Bank speaker mentioned the benefit of joining the WTO, noting that accession would increase trade in the RFE by 10 percent and raise economic growth by three percentage points.

The Far East, European Russia's "Resource Appendage"

¶11. Though regional development has been discussed in Moscow for several years, and financing for the RFE and Trans-Baikal Development Program will rise from 40 billion rubles to over 100 billion rubles annually in the coming years, many wonder how serious Moscow really is. Consulate contact and historian at the Russian Academy of Sciences Viktor Larin questioned the national government's resolve. "Moscow sees the region as a resource-producing appendage, he said." As long as the resources are flowing, there is no need to seriously tackle the problems inhabitants face."

Comment

¶12. Speakers at the conference mostly looked to Moscow to help solve the region's problems. International solutions to problems in the Russian Far East such as accession to the WTO, and investment from abroad were hardly discussed, and China was mentioned more as a competitor than a potential partner. Participants brought an abundance of suggestions for how Moscow can help improve the economic situation in the RFE, most of which are unlikely to be funded. Though some spoke of the need for closer integration with China, for most it appears that fear of competition from the south hinders development in that direction.

BENJAMIN